

Miss Davies:

1. cc to Space
 2. cc to ~~Beal~~ JEL 18/3
 f. 8/3

SDLP ECONOMIC AND SOCIAL PAPERS

The Central Economic Service have commented separately on these papers and can assist further as necessary. I limit my comments here to a few general points which bear on the handling of the documents.

- (1) They are in many respects amateurish and it would be easy to expose their illogicalities and other defects and to score debating points. I am quite sure, however, that this would be counter-productive. Government would be regarded (at best) as taking advantage of its superior resources to clobber a genuine, if unprofessional attempt to get to grips with the problem. At worst, Government would be regarded as seeking to cover up the seriousness of the problem.
- (2) I see considerable merit (unless there are wider political factors which neutralize it) in avoiding any appearance of getting into an adversary situation with the SDLP on economic matters. For a start, stripped of their political connotations and ideological wrappings, it is difficult to fault the pith and substance of their policy recommendations. Distilling some of it -
 - (a) Everyone, so far as I know, is agreed on the contribution it would make to the political and security situation if there were substantially fewer people out of work and fewer areas of multiple deprivation. There seems no need to quarrel with the aim of full employment and enhanced standard of living.
 - (b) The quest for increasingly effective ways of mobilizing inward investment must go on and I do not believe it can be gainsaid that a significant tax incentive would improve our ability to compete. Nor can there be any serious quarrel with the aim of encouraging intraregional industrial linkages eg De Lorean and Chamberlain/Phipps; spreading the risk by encouraging the entry of many small to medium sized units rather than a few large ones eg AVX, Hyster and GM; and promoting a more stable and diverse industrial structure through the development of units which are more firmly anchored because they draw on the local scene not merely for their production facilities but for their R & D and other services eg Goodyear. The greater the number of projects prepared to consider NI as a location, the greater the ability deliberately to shape one's investment portfolio in these ways. Hence the critical need for a radical improvement in the security situation which enables NI to be more generally perceived as an attractive location for industry and those who will initially manage new projects.
 - (c) All the possibilities of the existing industrial base (be it Agribusiness or other industrial sector) have to be fully exploited. Inward and indigenous investment are complementary, not exclusive initiatives.

- (d) Consistent with viability, a policy of industrial dispersal makes social and economic sense. Industry is now much more prepared to spread out on to green field sites. The Republic has benefitted particularly from this because so much of the success of its development drive has been so recent. Towns all over the Republic have also benefitted from the upsurge in agricultural prosperity. (Incidentally, dispersal in the Republic was also encouraged by the fact that there was not so obvious an industrial magnet as Belfast with its long industrial (particularly engineering) tradition.
- (3) Dare I suggest that Government and SDLP need not even come adrift on the state as entrepreneur - though a less emotive terminology would obviously be preferable? The Learfan and American Monitor projects show the state directly (in Learfan) or indirectly (through NIDA, in the case of American Monitor) exploring opportunities and mobilising and virtually assembling the ingredients for a project. The point at which Government is stopping short is in the assumption of operational responsibility. Government has accepted, however, a role which goes far beyond providing incentives and ensuring that they are widely and persuasively presented. It would seem a pity for Government to deny itself credit for the very active promotional role it in fact continues to discharge.
- (4) Political stances apart, Government and SDLP, in severely practical and operational terms, have convergent views on objectives and policies over a wide range. The views of the SDLP and other NI parties are, I suspect, equally close on the social and economic essentials and it is one of the stabilising factors locally that this has been so. The crunch issue is the quantity of resources which one devotes in total to the achievement of the agreed goals (ie the pace not the direction of effort) and where one places the emphasis (ie what are the priorities) at any particular time. This leads us, of course, straight into the public expenditure debate and the optimum contribution from time to time of national and narrowly regional considerations.

combination

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